

Message Text

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ACTION EA-09

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TO SECSTATE WASHDC 9050

INFO USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: ETRD, AS

SUBJECT: INAUGURATION OF BUY AUSTRALIA POLICY

1. PRIME MINISTER FRASER ANNOUNCED OCTOBER 1 A BUY AUSTRALIA POLICY FOR FEDERAL GOVERNMENT PURCHASES. ALTHOUGH THERE HAS BEEN CONSIDERABLE SPECULATION AND PRESS COMMENTARY ON EXPECTED IMPACT OF NEW POLICY, IT APPEARS THAT IN FACT DETAILS OF IMPLEMENTATION HAVE YET TO BE WORKED OUT. IT MAY ACCORDINGLY BE SOME TIME BEFORE IMPORT OF NEW POLICY CAN BE FULLY ASSESSED.

2. ASUTRALIAN CABINET INITIALLY CONSIDERED AND DECIDED AGAINST A PROPOSAL WHEREBY AUTOMATIC 10 PERCENT PREFERENCE WOULD BE GIVEN TO AUSTRALIAN PRODUCTS IN BIDS FOR GOVERNMENT PURCHASES. MINISTERIAL COMMITTEE WOULD HAVE BEEN GIVEN DISCRETION TO DECIDE ON ADDITIONAL PREFERENCES ABOVE 10 PERCENT. AFTER INITIAL PROPOSAL WAS REJECTED, MINISTERFOR INDUSTRY AND COMMERCE, SENATOR COTTON, PROPOSED THAT SPECIAL MINISTERIAL COMMITTEE DECIDE ON AN AD HOC BASIS, WITHOUT AUTOMATIC 10 PERCENT PREFERENCE, WHEN AUSTRALIAN GOODS SHOULD BE PURCHASED

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DESPITE PRICE DISADVANTAGE. LATTER PROPOSAL WAS ADOPTED.

3. MINISTERIAL COMMITTEE WILL BE CHAIRED BY MINISTER FOR ADMINISTRATIVE SERVICES, SENATOR WITHERS. COMMITTEE HAS BEEN DIRECTED TO WAIVE SO-CALLED "VALUE FOR MONEY" PRINCIPLE, WHICH PLACES PRICE COMPETITIVENESS AHEAD OF NATIONALITY IN GOVERNMENT PURCHASES, TO HELP DEPRESSED INDUSTRIES OR AREAS OR TO ENABLE ESTABLISHMENT, DEVELOPMENT, OR RETENTION OF INDUSTRIAL OR TECHNOLOGICAL CAPABILITIES REQUIRED FOR NATIONAL SECURITY OR INDEPENDENCE. CRITERIA BY WHICH THESE INDUSTRIES ARE TO BE IDENTIFIED OR BY WHICH DEGREE OF PREFERENCE IS TO BE DETERMINED ARE NOT SPELLED OUT.

4. ALTHOUGH AN AUSTRALIAN PREFERENCE SCHEME WAS IN OPERATION FROM 1961-1972, OFFICIALS IN DEPARTMENT OF ADMINISTRATIVE SERVICES DO NOT AT THIS POINT KNOW WHETHER CURRENT PROGRAM WILL BE COMPARABLE TO EARLIER ONE IN ITS OPERATION.

5. THERE HAVE BEEN TWO DIVERGENT REACTIONS TOWARDS PROGRAM. ONE IS THAT IT IS NATURAL OUTGROWTH OF ALLEGED PRO-PROTECTION BIAS OF FRASER GOVERNMENT AND IS, MOREOVER, WIDE OPEN TO ABUSE BECAUSE OF ABSENCE OF PUBLIC SCRUTINY AND CLEAR CRITERIA. OTHER VIEW IS THAT IT REPRESENTS, IN EFFECT, A MOVE TO DEFUSE PRO-PROTECTION PRESSURES BY ESTABLISHING A SYSTEM WHICH, BECAUSE IT IS NON-MANDATORY AND NON-SPECIFIC, CAN BE USED SPARINGLY. UNTIL COMMITTEE ACTUALLY CONSTITUTED AND SOME INDICATION GAINED OF ITS PROBABLE MODUS OPERANDI, THERE WILL PROBABLY BE AS MUCH SMOKE AS LIGHT IN SORTING OUT WHICH IS MORE NEARLY CORRECT.
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